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UNITED NATIONS CONFERENCE

EDITORIAL

UNCTAD's Trade and Development Board is about to consider its contribution to the General Assembly's assessment of the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD), scheluled for September. Under the Programme, established in 1986, African countries agreed to carry out extensive economic reforms, set new development priorities and mobilize more than half of the $128 billion needed. The international community, for its part, undertook to support the Programme's objectives and to contribute financially. A preliminary analysis by a UN Inter-Agency Task Force suggests, however, that many of those objectives have not been met. This failure has led to Africa's further marginalization, evidenced in 1990 by a growing food deficit, a higher incidence of poverty and the twelfth consecutive decline in per capita incomes.

It is hard to understand, still less to accept that Africa is worse off today than it was ten years ago despite having made determined attempts to meet UN-PAAERD commitments. More than 30 countries have undertaken structural adjustment programmes involving great social and economic costs and political risks. Recognizing the importance of popular participation for successful development, several countries have moved towards greater political pluralism and accountability. The international community has provided considerable amounts of financial and material assistance, though aid commitments have admittedly not been met in full. Many agencies, like UNCTAD, have devoted the lion's share of their technical co-operation activities to Africa.

Attention during the General Assembly's review of UN-PAAERD will therefore, focus primarily on what went wrong and why. The analysis before the Assembly will no doubt conclude that the Programme has been undermined by a mix of domestic and external factors, ranging from misguided policies, ineffective management of resources, political instability and civil strife, natural disasters and disease to the slowdown in world trade, the collapse of commodity prices, insufficient aid volumes, higher debt-service burdens and low levels of foreign investment.

Analysing the past will serve little purpose, however, unless the exercise helps to ensure that the 1990s do not become another lost decade for development. Africa's needs must be reasserted unequivocally. African countries must continue to mobilize domestic human and financial resources more efficiently and to strengthen their ability to cope with, and benefit from structural change. These efforts must, however, be complemented by increased flows of more effective aid, further debt relief, higher levels of foreign investment, improved market access for African exports and, not least, greater intra-regional co-operation.

The United Nations Conference on Trade and Development (UNCTAD) was set up by the General Assembly in 1964 as one of its permanent organs, mandated to promote international trade, particularly that of developing countries, with a view to accelerating their economic development. UNCTAD has evolved into a universal forum with a development perspective, in which member States review the interdependence of economies and of issues in trade, money and finance. UNCTAD is composed of 166 member States, including the 159 members of the United Nations; many intergovernmental and non-governmental organizations have observer status. The Conference normally meets every four years at ministerial level to establish policy guidelines. Between sessions, work is carried out by the Trade and Development Board and its standing committees dealing with commodities, manufactures, tariff preferences, development finance and insurance, shipping, transfer of technology and economic co-operation among developing countries, and by other subsidiary bodies. The problems of the least developed countries and of Africa's economic recovery receive special attention in UNCTAD's work. The UNCTAD staff–part of the United Nations Secretariat–numbers about 400 and is headed by a Secretary-General, currently Mr. Kenneth K. S. Dadzie (Ghana).

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Michael C. Bonello, Editor

TECHNICAL CO-OPERATION IN THE SERVICES SECTOR

ACTIVITIES

Over the past decade there has been a growing awareness of the important role which services can play in the development process. The services sector, and particularly producer services, can enhance the competitiveness of domestic enterprises on world markets, earn foreign exchange in its own right, help to upgrade human capital, stimulate entrepreneurship and innovation and create new employment opportunities. Moreover, the progress registered in the Uruguay Round negotiations on a multilateral framework for trade in services has impressed upon developing countries the importance of strengthening their services sector. For without improved technological capacities, efficient corporate structures and a supportive policy environment, their service industries will be unable to compete against those from developed countries, in their own and in foreign markets, and thus benefit from the anticipated liberalization of world trade in services. This article, the sixth in the current series on technical co-operation, provides an insight into how UNCTAD is assisting developing countries in their pursuit of this objective.

Programme Objectives and Funding

UNCTAD's technical co-operation programme on services was established in 1983. Its utility was recognized by the Final Act of UNCTAD VII in 1987 which requested the secretariat to further develop its ongoing activities in this field and also to provide assistance to developing countries in order to facilitate their effective participation in the Uruguay Round negotiations. In addition, the programme's objectives are to help in the formulation of policies for the development of the services sector, particularly in support of manufacturing activities, and for the creation of an export capacity in services. An important function in this regard is to assist local experts in preparing national studies on services and in analysing issues pertaining to the relationship between services and development.

Since the programme was launched, more than 40 requests for assistance have been received from developing countries in every region and at various levels of development. UNCTAD's ability to respond to these requests has largely depended upon substantial financial support from UNDP, often in the context of existing projects for which it was the executing agency. In addition, some developing countries have set up their own projects, also financed by UNDP, to carry out national studies on services. Others have envisaged a further stage, extending projects to include the drawing up of action plans to develop the services sector.

A number of developed countries have also supported national studies. In particular, the Government of France is providing financial resources and expertise, in the context of a joint project with UNCTAD, to carry out six national studies which will be used to develop a methodology and conceptual framework for analysing the role of services in the developmental process. Previously, the Government of Japan had made funds available to the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) to establish a project, with which UNCTAD is associated, to assist developing countries in this region in conducting national studies. The European Community, too, has collaborated with UNCTAD, providing experts and financing in-depth studies in countries of the Andean Group. Finally, private institutions, such as the Friedrich Ebherd Foundation of Germany, have also contributed to the programme, both financially and through the provision of expertise.

Developing Policies for the Services Sector

In requesting UNCTAD's assistance, many countries have been motivated by the need to strengthen their indigenous producer service industries by exploiting linkages and complementarities with other economic sectors. Another major concern is to improve the degree of knowledge about the impact of international transactions such as trade in services, foreign investment in services-related activities, international labour movements, international flows of information and service transactions associated

Correction

In the November-December 1990 issue of the Bulletin, the table showing UNCTAD's technical co-operation training activities during 1990 (p. 11) was not complete in that it did not include activities undertaken by the Advisory Service on Transfer of Technology. These consisted of one national and three regional seminars involving 76 participants.

with financial packages and with intellectual property and trade-related investment measures. Countries are also concerned with preparing for the final stages of the Uruguay Round, which will involve sectoral and sub-sectoral negotiations on services, and with assessing the future competitive position of their service industries in the domestic and foreign markets.

A prerequisite for responding to these concerns is the carrying out of a national study on services. For this purpose UNCTAD has developed a methodology consisting of three elements, the first of which is the creation of a national team of government officials and consultants whose function is to conduct a preliminary profile of the services sector in the country. This is followed by the holding of a national seminar which discusses the results of the profile, hears the views of foreign experts and identifies priorities for further study. Apart from sensitizing the public and private sectors and academic institutions to the importance of the services sector, such seminars have also served as a mechanism for identifying areas of co-operation with outside donors.

The scene is now set for the third phase which is the in-depth national study. The practice has been for the study to be entrusted to experts from the country concerned, but often contributions are also forthcoming from other sources, including academic and research institutions of both developing and developed countries. Work on these studies has also benefitted from analytical work carried out in UNCTAD, either in the context of its technical co-operation activities or under its general mandate. Particularly relevant has been the secretariat's work on producer services, such as the parallel studies conducted in Latin American countries and in Italy on the use of services by the textile and clothing industry and the impact on competitiveness.

The national study on services of the Dominican Republic, to be published shortly

The experts conducting the national study typically attempt to assess the demand for, and the supply of services as well as their role in the economy through questionnaires and interviews. This approach has been used successfully in several developing countries. In Mexico and the Dominican Republic, for example, local consultants in collaboration with UNCTAD staff members and French experts from the Centre des Etudes "Economie et Humanisme", carried out sample surveys which revealed the many problems faced by service industries in the domestic and foreign markets, the impact of existing policies, and weaknesses such as the lack of adequate incentives, insufficient financing and the high degree of internalization of services in firms producing both goods and services.

The experience acquired thus far suggests that the national study serves four main purposes: (i) it sheds new light on the contribution of the services sector to the attainment of targets in the productive sectors of the economy and helps to identify policy options for dynamizing the role of producer services, particularly their potential for complementarity with other sectors. In this regard the study examines the services infrastructure in the country and identifies needs in terms of skills and expertise; (ii) by seeking to improve the competitivity of the domestic services industry and, therefore, also of its export capacity, the study reinforces the contribution of services to the balance of payments; (iii) it shows up the potential of the sector as a generator of employment opportunities and of demands for new skills; and finally, (iv) the study has helped to define the elements of developing countries' negotiating positions in the context of trade negotiations such as the Uruguay Round.

Furthermore, the knowledge obtained from national studies has also been disseminated to other interested countries, mainly with the active co-operation of governments and organizations of developing countries as well as of the United Nations Regional Commissions. For its part, UNCTAD has provided expertise to those organizations which have been active in service-related issues at the regional and sub-regional levels.

Encouraging Results Obtained

As noted above, more than 40 developing countries have asked to participate in the technical co-operation programme on services. UNCTAD

experts have visited most of these countries to assess needs and resource availabilities and to map out a suitable approach to the national study. In addition, national seminars have already been organized in many of these countries, usually with the active participation of private sector operators and experts both of the country concerned and of developed countries. In this regard, UNCTAD maintains close contact with private sector organizations such as the European Services Industries Forum and the World Trade Center Association, both of which have provided advice and logistical support. Finally, some countries have been able to move on to the third stage, the national study, at times with further financial support from UNDP and other sources.

In conclusion, therefore, it may be said that UNCTAD's technical co-operation programme on services has produced a number of encouraging results. First, a useful methodological approach has emerged for analysing the role of services in the economies of developing countries. Second, the experience which national experts of these countries have accumulated through their participation in the programme has increased the general level of awareness and expertise on services-related issues, as was evidenced by the 1988 Latin American seminar on producer services, telematics and statistical problems of services. Another positive effect has been the transfer of expertise among participating developing countries. Thus, for example, Mexican experts have supported the preparation of national studies in the Dominican Republic, Costa Rica and Cuba. Third, these studies have brought to light the main elements to be taken into account in the formulation of development policies and strategies. The identification of key areas through the studies, for example, has enabled some developing countries to participate more actively in the Group of Negotiations on Services in the Uruguay Round. In this regard, UNCTAD has also made a direct contribution through another technical co-operation programme, which is intended to facilitate the effective participation of developing countries in the Round.

Looking to the future, it is expected that increasing emphasis will be placed in UNCTAD's technical co-operation activities on reinforcing the competitivity of those service industries which have the greatest potential in terms of exports, value added generation, upgrading of skills and the absorption of new technologies.

Further information on UNCTAD's technical co-operation activities may be obtained by writing to the Chief, Joint Technical Co-operation Unit, UNCTAD, Palais des Nations, 1211 Geneva 10, Switzerland.

SECRETARY-GENERAL'S UPBEAT MESSAGE TO STAFF

In an end-of-year message to the staff the Secretary-General of UNCTAD, Mr. K. K. S. Dadzie, described 1990 as a year "of positive movement towards UNCTAD's objectives". Recalling some of the year's highlights, he first referred to the Second United Nations Conference on the Least Developed Countries held in Paris last September. He said the Conference had succeeded in reaching a high level of political consensus and had deepened UNCTAD's involvement in a wide range of development issues. Turning next to UNCTAD's intergovernmental machinery, he evoked the Trade and Development Board's important pronouncements on trade policy, interdependence, debt and economic co-operation among developing countries, and the challenging orientations for future work given by the various Committees. The technical co-operation programme meanwhile had continued to grow and improve, in support of the main thrusts of the organization's research and policy analysis. Finally, Mr. Dadzie pointed out that the General Assembly of the United Nations had adopted a number of resolutions calling for substantive contributions from the UNCTAD secretariat on subjects of major importance. These requests, he added, testified to "the confidence of UNCTAD's parent body in its work."

Opportunities for UNCTAD

Looking ahead, Mr. Dadzie said that 1991, despite prevailing uncertainties, held out the promise of major opportunities to reassert the organization's relevance, a chance which it was up to the secretariat to grasp in order to promote intergovernmental understanding and action. In this context he first spoke of how the Board's recent resolution on sustainable development and the secretariat's involvement in the substantive preparations for the United Nations Conference on Environment and Development, to be held in Brazil in 1992, had opened the way for UNCTAD to establish itself as one of the leading organizations dealing with the economics of sustainable development.

Mr. Dadzie went on to announce that the Secretary-General of the United Nations had endorsed a proposal made jointly by himself and by the Executive Director of the United Nations Centre on Transnational Corporations (UNCTC) concerning the gradual integration of complementary programme activities carried out by their respective organizations. He expressed the

(continued on page 6)

Sidney Dell

Sidney Dell, who died last December at the age of 71, played a key role in the history of UNCTAD, first as Raúl Prebisch's main adviser on substantive questions in the preparation of UNCTAD I and later as the Director of UNCTAD's Money and Finance Division. A British citizen, he was educated at Oxford University and joined the United Nations Department of Economic Affairs as an economist in 1947. Besides his many years of service in the Department and in UNCTAD, he served as Assistant Administrator of the United Nations Development Programme (UNDP), as an Executive Director of the United Nations Centre on Transnational Corporations (UNCTC) and, upon retirement, as Senior Fellow of the United Nations Institute for Training and Research (UNITAR).

Sidney Dell left an indelible imprint on UNCTAD. He was a major influence in the development of the overall thinking underlying this organization and was closely associated with two of the principal ideas put forward by Raúl Prebisch at UNCTAD I: tariff preferences for the exports of developing countries and supplementary financing to protect development plans from disruption resulting from unfavourable movements in the terms of trade. After the establishment of UNCTAD, he went on to break new analytical ground as well as to develop a wide range of practical proposals to improve the international monetary and financial system for the benefit of developing countries, including the setting of aid targets. One of his most significant accomplishments was the Expert Group on International Monetary Issues, convened in 1965, which was decisive in ensuring the participation of developing countries in the creation of international liquidity. He also deserves credit for the proposal to link SDRs and development finance, which was put forward by a second Expert Group convened in 1969.

Sidney Dell played an important role in the creation of the Group of 24, which was designed to be a counterweight to the Group of 10, and at UNCTAD III in 1972 he launched the concept of the interdependence of trade, development, finance and the international monetary system, thus ensuring that the discussions in the aftermath of the dollar crisis would include questions of central interest to developing countries. Soon thereafter the IMF Committee of 20 was established and the discussion of monetary reform began with the participation of developing countries and with UNCTAD as an observer. With his team in the New York Office of UNCTAD, he prepared a series of briefs on various aspects of the reform which led to an enlargement of the Committee's agenda to include issues relating to trade and development finance.

He left for UNDP in 1973, but resumed his connection with UNCTAD in 1977 as Director of a UNDP-financed project to provide support to the Group of 24, a position he held until his death. Thanks to him, this project produced a large number of excellent studies of great value to developing countries.

Sidney Dell was one of the most respected members of the international civil service. He combined an outstanding intellect with a devotion to the cause of development and a keen sense of professionalism and he set the highest standards of excellence for himself and his staff. His loss will be acutely felt, most especially by UNCTAD.

(continued from page 5)

view that this process would enhance the ability of the United Nations as a whole to deal with interrelated issues of trade, investment, technology and services, and their interaction with the environment.

Referring to UNCTAD VIII, Mr. Dadzie said that this could reassert the organization's role as the forum for a comprehensive assessment of the Uruguay Round. He added that this function of UNCTAD VIII, which had been recognized in a General Assembly resolution, could enable the Conference to help set the direction of the international trading system beyond the Round.

The Secretary-General went on to acknowledge that a number of uncertainties also lay ahead, and not only in the international political climate. Among them were those generated by the prolongation of the Uruguay Round and by the direction and pace of policy change in countries in Eastern Europe. He felt, nevertheless, that the secretariat should be positively motivated by the results of 1990 and that it could look ahead to a challenging year in which the fundamental issues which UNCTAD had been studying over the years could be explored more intensively. "We must continue to demonstrate our capacity to evolve, while maintaining intact our commitment to development," Mr. Dadzie concluded.

INDUSTRIAL COLLABORATION EXPANDS, BOOSTS EXPORTS

The rapid growth of manufactured exports from developing countries during the late 1980s has gone hand in hand with important changes both in the behaviour of foreign investors, notably a growing preference for non-traditional forms of industrial collaboration with enterprises of the host country, and in the attitude of the developing countries themselves towards foreign investment.[1] There has been a clear shift towards more export-oriented and diversified forms of collaboration such as joint ventures, technical co-operation and licencing agreements and sub-contracting. This article examines the institutional and behavioural factors as well as the changing investment strategies and policies which have contributed to this trend.

Assembling Japanese car engines in Thailand combines modern technology and low costs (Photo J. Maillard/ILO)

New Corporate Strategies and Government Policies

The renewed interest in developing countries as industrial locations is associated with the emergence of new patterns of corporate behaviour. While in the past the main interest of foreign investors lay in the domestic markets of developing countries, new investments are increasingly export oriented. And whereas before these investors opted almost exclusively for wholly-owned subsidiaries, they now display a greater readiness to participate in joint ventures and other forms of partnership which involve the sharing of management functions with entrepreneurs of the host country.

These new trends in corporate strategy have also been influenced by changes in the economic environment and in government policies. In particular, enterprises of developed countries have been affected by increased competitive pressures at home, by shifts in the exchange rate relationships of the major currencies and by protective attitudes on the part of traditional trading partners. They have reacted by increasing global specialization amongst various production locations, by relocating labour-intensive manufacturing processes to low-cost developing countries, and by shifting export-oriented investment closer to major world markets and particularly to developing countries in their neighbourhood benefitting from the existence of special or preferential market access conditions.

The observed growth in collaboration between enterprises of developed and developing countries during the second half of the 1980s is also attributable to the increased outward orientation of developing countries, many of whom have been actively promoting export-oriented foreign investment. Interest in such investment as a source of non-debt capital, technology and export capacity has often coincided with the adoption of wide-ranging policy reforms in the context of structural adjustment programmes.

Export-oriented Joint Ventures

Developing country efforts to attract foreign investment have focused in particular on joint ventures as a means of modernizing their industrial base, introducing up-to-date technologies and new product lines and boosting exports. Several countries have liberalized their foreign investment regulations for export-oriented joint ventures: limits on the size of the foreign equity shareholding permitted have been relaxed or removed, as have restrictions on profit and capital transfers. Investment codes have been revised to offer additional fiscal and financial incentives for investment in export industries; foreign trade and exchange regulations governing imported inputs required for export production have been liberalized; and new export-processing-zones have been established. Government policies have also played an important role in persuading foreign enterprises to enter into joint ventures with local investors where such enterprises remained mainly oriented towards local markets.

[1] *While the main focus of the recent revival in foreign direct investment has been South-East Asia, individual countries in all developing regions have shared in this experience.*

The number of export-oriented joint ventures has been rapidly increasing in South-East Asia, whose dynamic economies offer investors high rates of return, favourable operating conditions, stability and good growth prospects. A rising trend is beginning to emerge in some Latin American countries and in the Mediterranean region. Such joint ventures involve a wide range of industrial activities, from the manufacture of cars, commercial vehicles, parts and related equipment to consumer electronics, electrical and office machinery and chemicals. In many cases, joint ventures produce standardized and well established items, since foreign investors are reluctant to engage in the manufacture of products embodying the latest technology other than in wholly-owned subsidiaries. At the same time, the options for developing countries in search of foreign investment partners have improved considerably as a result of the increased interest of investors from the industrially advanced developing countries in other developing countries and a growing participation of small and medium-sized investors alongside the traditional transnational enterprises.

Taken together, joint ventures and foreign subsidiaries have been responsible for a major share of the recent export growth of countries such as the Philippines and Thailand, Mauritius and others in the Mediterranean and Caribbean regions. In Thailand, for example, joint ventures had become the prevailing form of foreign investment in manufacturing industry by the end of the 1980s, the vast majority of projects being export-oriented.

Non-equity Arrangements

As technological and management capacities improve, several developing countries have relied increasingly on non-equity arrangements such as production and technology licencing, technological co-operation agreements and management and export marketing arrangements to replace or complement foreign equity participation in their enterprises. Licencing or technical assistance and management contracts, for example, coupled with a minority shareholding have become a particularly important form of foreign investment in some developing countries. In this way, the host country gains access to product and process technology while the foreign investor retains a substantial influence on decision making while bearing a relatively small capital risk.

A large proportion of the production arising from these non-traditional forms of industrial collaboration is destined for the markets of the host countries. There are, however, a number of

Manufacturing perfumery products under licence in Indonesia for export to Europe (Photo J. Maillard/ILO)

important exceptions, particularly in industrially-advanced developing countries. Automobile and components producers in the Republic of Korea, Yugoslavia and Taiwan Province of China, for example, have been selling successfully on world markets following the conclusion of technological co-operation and licencing agreements through which they obtained access to designs and production technology of exportable products. Certain base industries in developing countries, such as steel, metal, petrochemicals and cement are other cases where similar arrangements have made a significant impact on export capacity. The use of non-equity forms of investment in such industries has been favoured by the fact that they rely on mature technologies which are available from a range of alternative sources.

International Sub-contracting

International sub-contracting, whereby a sub-contractor provides the principal firm, on agreed terms and conditions, with products that are used and/or marketed by the principal under its sole responsibility, has proved to be a particularly dynamic and widespread form of industrial collaboration. A large number of enterprises from developing countries in South-East Asia, and the Caribbean, Central American and Mediterranean regions, as well as from some African countries, are involved in labour-intensive operations such as assembling integrated circuits and sewing clothing from imported materials for re-export to a transnational enterprise which markets the finished products under its own name.

Industrial sub-contracting can also involve the carrying out of more complex production processes by independent firms or subsidiaries of transnational enterprises. These include the assembly or production of motors and automotive components for export to car factories in the United States or Europe; and the production of complete television sets, record players and other similar products according to set specifications. Sub-contracting operations account for a significant proportion–up to 30 per cent in some cases–of manufactured exports from such countries as Mexico, Malaysia, Mauritius, the Dominican Republic and other Caribbean islands, Tunisia, Morocco and Yugoslavia.

In many cases, however, sub-contracting makes only a limited contribution to industrial development since the bulk of the operations involved resemble the export of direct labour services rather than of merchandise. Among the limitations of such operations are the low value-added content of the exported product; the absence of linkages with domestic industry, particularly with producers of raw materials and intermediate products; and the high volatility of sub-contracting relations. Moreover, to the extent that many sub-contractors prefer to locate in export processing zones, the high cost of infrastructural investment associated with these zones and the tax holidays often offered to investors who locate within them further reduce the benefits of sub-contracting. It can, on the other hand, be an important source of employment and foreign exchange. It also offers some development potential to small and industrially less-developed countries and island States.

An Area of Growing UNCTAD Activity

The UNCTAD secretariat has recently stepped up its analytical work regarding the implications for developing countries of foreign investment and of industrial collaboration arrangements. A recently published study, entitled *The role of international collaboration arrangements in developing countries' exports of manufactures* focuses on the three major types of such arrangements dealt with in this article, viz. export-oriented joint ventures, non-traditional forms of foreign investment, and industrial sub-contracting.[2] The study suggests that developing countries should attempt to exploit the development potential of such arrangements and to strengthen their linkages with the domestic economy. Promotional policies for the development of domestic enterprises and management capacities are a key factor for achieving such broad goals. The co-operation of transnational enterprises in such efforts should also be encouraged.

The secretariat has also recently started work, jointly with the United Nations Centre for Transnational Corporations (UNCTC), on a series of case studies on the experience of developing countries with export-oriented industrial collaboration. The main objective is to identify favourable conditions for attracting foreign investment to industrial partnership arrangements. The studies will evaluate the effectiveness of government policies and assess the contribution which foreign enterprises, intergovernmental investment co-peration agreements and other international support measures could make to foster industrial collaboration. The experience of major transnational enterprises from developed countries will also be drawn upon. It is hoped that the case studies will help to identify suitable policies for encouraging a greater resort to collaboration arrangements and for increasing their impact on exports and on industrial development in the developing countries.

[2] *This study is listed in the Publications section on page 15.*

UNCTAD PREPARES FOR ITS EIGHTH CONFERENCE

The preparatory process for UNCTAD VIII was launched last October, soon after the Trade and Development Board reached agreement on the substantive item of the Conference agenda *(see box)*. This article outlines the various elements of that process and explains their underlying rationale against the background of the agenda. The main substantive issues to be discussed at the Conference will be examined in subsequent editions of the *Bulletin*.

An Agenda for Action

The agenda for UNCTAD VIII seeks to build on the platform provided by the Final Act of the Seventh Conference and is inspired by the Declarations adopted by the General Assembly of the United Nations respectively on the twenty-fifth anniversary of UNCTAD in 1989 and at its special session on international economic co-operation last year. Its unifying theme, namely strengthening national and international action and multilateral co-operation for a healthy, secure and equitable world economy, naturally reflects the interests of all groups of countries. It envisages as the starting point for the work of the Conference an evaluation of the challenges and potentials which structural changes imply for sustain-

able development and for the expansion of international trade in an interdependent world economy.

At the level of action, the agenda is aimed at the promotion of economic growth, technological capabilities and accelerated development in the developing countries. In this context the Conference is expected to evolve guidelines for national and international policies and measures, good management and structural reforms in both developed and developing countries. The objective of this exercise is to achieve the effective and efficient mobilization, allocation and use of human and economic resources **and** a more favourable international economic environment. In this regard the Conference will address issues in the interrelated areas of resources for development, international trade, technology, services and commodities.

Thus the agenda for UNCTAD VIII is at once topical and integrated, concentrating on major policy issues encompassing both current manifestations of long-standing problems and emerging concerns. The issues are confined to those that have a major impact on the world economy and offer good potential for strengthening international economic co-operation for growth and development.

ISSUES FOR UNCTAD VIII

Strengthening national and international action and multilateral co-operation for a healthy, secure and equitable world economy.

Evaluation of challenges and potentials presented by long-term structural changes for sustainable development and expansion of international trade in an interdependent world economy. Promoting economic growth, technological capabilities and accelerated development in the developing countries: adoption of sound national and international policies and measures, good management and structural reforms in both developed and developing countries to achieve the effective and efficient allocation, use and mobilisation of human and economic resources and a more favourable international economic environment. Towards this end, issues in the following interrelated areas would be addressed: Resources for Development; International Trade; Technology; Services; Commodities.

Preparing the Ground

The objectives of the preparatory process which is currently unfolding are to create an increased awareness of the major problems in the various areas and to identify policy options for responding to them. Intergovernmental activities represent the first level of this process. A major feature in this context are the meetings of the various country groupings. The activities of the Group of 77, co-ordinated by a preparatory committee in Geneva, involve regional meetings followed by a meeting of all the Group members, all at ministerial level. Their objective is the elaboration of a common position with respect to the Conference agenda.

Governments are also working towards UNCTAD VIII in the context of the Trade and Development Board. Apart from its normal spring meeting in March, the Board is scheduled to meet in special session closer to the Conference. Should a consensus emerge in the meantime in favour of attempting to work out the draft text of a document to be finalized at the Conference, this would be the main task of the special session.

Within the UNCTAD secretariat a Working Group has been established under the chairmanship of the Secretary-General whose function is to co-ordinate the substantive preparations for the Conference. Two major outputs are envisaged, viz. the Report of the Secretary-General, which is expected to provide broad policy orientations concerning items on the agenda, and the Analytical Report for the Conference. This will contain a detailed examination of major issues in support of the policy indications contained in the Secretary-General's Report; it could also provide the analytical basis for any action proposals that may subsequently be made by the Secretary-General. His proposals would take account of the intergovernmental discussions and of the consultations which he is expected to have with governments in the run-up to the Conference.

Finally, the preparations for UNCTAD VIII also involve informal interactions, with, among others, non-governmental development actors. Past experience with this type of exchange of views has shown that it can be an important source of novel perspectives on development-related problems and, as such, a valuable complement to the expertise available within the secretariat. Two types of encounter are envisaged. The first would involve topic-specific meetings, bringing together independent experts, government officials participating in their personal capacities, and the secretariat. Four themes have been identified, viz. national governance: the respective roles of the public and private sectors in promoting sustainable development; international governance:

trade in a globalizing world economy; international trade and the environment; and managing commodity dependence in developing countries. The choice of themes does not represent an attempt to embrace all the elements of the Conference agenda but rather to focus on the new dimensions it contains and on the new approaches it calls for.

There will also be "constituency-specific" meetings with NGOs, parliamentarians, trade unions and enterprise. Representatives of these groups would be invited to participate in the former meetings. All these meetings are scheduled to take place prior to the finalization of the Conference documentation.

Significance of UNCTAD VIII

The eighth session of UNCTAD is likely to feature prominently in the 1991 calendar of international economic diplomacy. If, as is hoped, the Uruguay Round has been concluded by then, UNCTAD VIII will be the first opportunity for the international community as a whole to evaluate the outcome of the Round and its implications for world trade and, in particular, for the development process. Moreover, this evaluation will take place against the background of the new global economic and political scenarios resulting from the conflict in the Persian Gulf. At the same time, the Conference will be the last major international gathering before the United Nations Conference on Environment and Development (UNCED) to be held in June 1992, and which is expected to accelerate efforts to achieve sustainable development and to tackle the root causes of poverty and environmental degradation.

The relevance of the Uruguay Round and UNCED to the objective of the Conference, viz. to identify ways of achieving a healthy, secure and equitable world economy, is clear enough. In this respect, UNCTAD VIII has the potential to make a substantial contribution to the international community's ongoing dialogue in the pursuit of objectives now widely recognized as being in the common interest.

Beyond these considerations, the Conference is also expected to mark an important moment for UNCTAD in institutional terms. The world political and economic environment has undergone profound changes since the previous Conference in 1987. The international community now faces the challenge of adapting the institutional framework to accommodate and reflect these changes and UNCTAD, too, may expect to be involved in such a reappraisal of institutional functions. At the secretariat level, moves in this direction are already under way as evidenced by the recently-announced joint initiative taken by the executive heads of UNCTAD and the United Nations Centre on Transnational Corporations (UNCTC) to gradually integrate complementary programme activities. At the intergovernmental level, the General Assembly of the United Nations will be meeting in April to undertake an in-depth consideration of proposals for the restructuring and revitalization of the United Nations in the economic and social fields. An important, though unwritten objective of UNCTAD VIII, therefore, could well be to determine what use governments wish to make of UNCTAD as an organization and what role it is to play in the years ahead in relation to other components of the international institutional framework.

REVIEWS

AGRICULTURAL TRADE LIBERALIZATION IN THE URUGUAY ROUND: IMPLICATIONS FOR DEVELOPING COUNTRIES

UNCTAD/ITP/48

The Uruguay Round represents the first serious attempt to reduce protectionism in agricultural trade and to bring agriculture under the rules and disciplines of the GATT. Hence the importance for developing countries of analysing the implications of the various proposals being debated. This study, which has been sponsored jointly by UNCTAD and by the World Institute for Development Economics Research (WIDER) and financed by UNDP, analyses the possible effects on the world markets for selected products of policy changes by the EC and four other major agricultural trading nations, and attempts to assess the trade and welfare implications for developing countries. Simulation analysis is applied to four alternative scenarios corresponding to policy proposals considered in the Uruguay Round, viz. complete liberalization; a 20 per cent reduction in producer price support; elimination of export subsidies; and an increase in imports of each product by 10 per cent in each of the five markets.

The study finds that one effect of trade liberalization would be an increase, at least for a transitional period, in world prices of basic foodstuffs. This would lead to net foreign exchange and welfare losses for some net food-importing developing countries. The African region would

be a net loser under each of the first three scenarios. Only under the fourth scenario do all the developing regions experience net foreign exchange gains. The study concludes that these findings suggest the need for accompanying measures to compensate for these losses, thereby meeting the objective of a balanced outcome to the Uruguay Round.

A SEQUENCE OF ERRORS? SOME NOTES ON THE SEQUENCING OF LIBERALIZATION IN DEVELOPING COUNTRIES

Simon Chapple
UNCTAD Discussion Paper–No. 31, August 1990

This paper addresses the question of sequencing in the liberalization process of markets once a decision in this sense has been taken. It examines the existing theories and concludes that the fiscal balance, financial markets, current account, capital account sequence generally recommended by orthodox theory neglects possible real exchange-rate rises caused both by reductions in the fiscal deficit and by financial deregulation. Increases in the real rate of interest and in the real exchange rate tend to harm the tradable goods sector and the country's external balance. The author argues that the orthodox approach to sequencing fails to take properly into account the root cause of inflation, the effect of financial liberalization on stability, the role of government spending, and the question of an appropriate wages policy.

THE IMPLICATIONS FOR DEVELOPING COUNTRIES' EXPORT EARNINGS GROWTH OF AN INCREASE IN THE SHARE OF IMPORTS BY DEVELOPING COUNTRIES FROM EACH OTHER: A SIMULATION ANALYSIS

Harmon C. Thomas
UNCTAD Discussion Paper–No. 32, August 1990

Developing countries are the major, and the fastest growing, importers of a wide variety of goods. The share in their total imports of purchases from other developing countries, however, is only about one fifth. This paper attempts to provide a quantitative measurement of the potential export gains for individual countries from increased trade among developing countries. Utilizing a comparative static simulation framework, the paper calculates the initial export gains from a relative shift of 10 percentage points in the non-fuel import expenditures of 120 developing countries towards imports from each other. The results indicate that Sudan, Morocco, Egypt, Tunisia and Zambia would have the largest export gains in Africa; Malaysia, Republic of Korea, Singapore, China, India and Thailand would be the largest beneficiaries in Asia; and Brazil, Argentina and Chile in Latin America. When all countries are compared irrespective of region, the gainers in terms of increased export earnings, in descending order of importance, would be: Brazil, Malaysia, Republic of Korea, Singapore, China, Argentina, India, Thailand, Yugoslavia, Chile and Indonesia.

EL ACUERDO DE LIBRE COMERCIO ENTRE ESTADOS UNIDOS Y CANADA Y SU IMPACTO SOBRE EL COMERCIO DE AMERICA LATINA Y EL CARIBE

Juan A. de Castro and Serafino Marchese
UNCTAD Discussion Paper–No. 33, September 1990

This paper presents the preliminary results of a study on the consequences for Latin American and Caribbean countries of the implementation of the Free Trade Agreement (FTA) between the United States and Canada. The member countries of the Sistema Económico Latinoamericano (SELA) exported almost US$57 billion to the United States in 1988, or 11 per cent of total US imports, while Canada's share was 18 per cent. In the Canadian market, the share of exports from SELA countries was less important at 3 per cent in 1988, while the United States was the main supplier with US$70 billion and a share of 66 per cent.

Using the Trade Policy Simulation Model (TPSM) and 1986 trade statistics at the national tariff line level, the authors identify the most sensitive products for SELA countries in both markets and estimate the possible effects in terms of trade diversion assuming a full tariff liberalization. In the case of the US market, the overall impact appears limited since only about US$1 billion worth of exports from SELA countries would be highly affected, but for certain tariff-lines in some sensitive sectors like iron, consumer electronics, food, textiles and clothing, the trade diversion is estimated at over 10 per cent of Latin American exports of these products. In the case of the Canadian market, the impact is more significant, affecting 3.5 per cent of total Latin American exports.

It should be noted that since no estimation of the effects of the elimination of non-tariff measures was possible, due to the lack of *ad valorem* equivalents for the non-tariff measures applied, the results underestimate the implications for the SELA countries of the full implementation of the FTA.

SERVICES IN ASIA AND THE PACIFIC SELECTED PAPERS, VOLUME ONE

UNCTAD/ITP/51

This collection of papers is the first in a series of major studies, produced as part of a UNDP-financed project, whose objective is to analyse the role of trade in services in the Asia and Pacific region; to identify policy measures for strengthening the service sectors of developing countries in the region and for increasing their trade in services; and to enable these countries to participate more effectively in the Uruguay Round and in possible further negotiations. The papers are the product of discussions at two seminars held in 1990 which were funded by UNDP and organized by UNCTAD in association with the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The titles of the papers are the following:

Strengthening Service Sectors in Asia and the Pacific: An Overview, Murray Gibbs, Michiko Hayashi and Udaya Kumar

Professional Business Services in ASEAN and the Uruguay Round Trade Negotiations, Sieh Lee Mei Ling

Computer Software and Computer Services in Five Asian Countries, Thierry Noyelle

Labour Mobility, Trade in Services and the Uruguay Round: The Perspective of ASEAN Countries, Pan Eng Fong and Linda Low

Trade in Insurance in Korea, Un How Park

Trade in Banking Services: ASEAN Countries, Mario Lamberte

Trade in Media Services: Asia and the Pacific Region, Malati Tambay Vaidya

ASEAN Interests in Air Transport Services in the Uruguay Round, Christopher Findlay and Peter Forsyth

International Trade in Tourism in ASEAN Region, Chow Kit Boey

Trade in Services in the Pacific Island Countries, Yee Che Fong

The Main Issues in the Negotiations of a Multilateral Framework for Trade in Services, Murray Gibbs and Mina Mashayekhi

UNCTAD COMMODITY YEARBOOK 1990

United Nations Publication:
Sales No. E.90.II.D.9 (price US$65.00)

Now in its seventh edition, UNCTAD's principal statistical publication in the commodity field contains data on production, trade and consumption of selected agricultural primary commodities and minerals, ores and metals up to 1988. Apart from commodity-specific tables, it includes extensive summary tables on commodity dependence and trade values. The content of the Annex has also been improved: a table has been added showing the share of the three leading commodities in the total exports of developing countries, for the periods 1975-1977 and 1985-1987, while the tables on the shares of primary commodities in all merchandise trade and in GDP are now divided in two parts, one including fuels and the other without. The Annex also contains instability indices and trends in monthly market prices for selected primary commodities and tables showing changing patterns of commodity production as a result of processing in the producing developing countries.

NOTES

ROUND TABLE ON THE AFRICAN INSURANCE INDUSTRY

Government officials and insurance industry representatives from 35 African countries took part in a Round Table organized, with UNDP support, by UNCTAD in co-operation with the African Insurance Organization in Casablanca, Morocco from 8-11 October 1990. Participants sought to assess the state of the African insurance industry and its future prospects. Specific issues discussed included the impact of liberalization and privatization policies on the industry, the scope for reducing the heavy reliance on overseas markets for reinsurance purposes and the problems prevailing in the areas of life, motor vehicle and agricultural insurance. The Round Table concluded that the insurance industry has not succeeded in making a full contribution to the economic and social life of African countries, made proposals to the African insurance industry and to Governments for action in a number of areas and requested UNCTAD's support in pursuing them.

SEMINAR ON HUMAN RESOURCES IN THE INSURANCE SECTOR

A seminar on education and training in the insurance sector was held in Lisbon from 28 November-5 December 1990. The seminar was organized by UNCTAD in co-operation with the Government of Portugal and the Portuguese Insurance Association. The objective was to pool ideas on problems encountered by developing

countries and on how to strengthen regional and international co-operation for improved education and training of insurance personnel in these countries. The 80 or so participants from the public and private sectors discussed topics such as strategies for human resources development; training needs; and criteria for measuring the return on investment in training and in human resources development.

WORKSHOP ON TECHNOLOGY TRANSFER

Senior government officials and representatives of the enterprise sector met in Manila from 2-15 December 1990 to exchange ideas on how to promote technology transfer and management in the least developed and island developing countries of Asia and the Pacific. The Workshop, an activity under a UNDP-financed project, was organized by UNCTAD's Advisory Service on Transfer of Technology in co-operation with the Government of the Philippines. Participants discussed problems and opportunities in areas such as technology policy and institutional arrangements; mechanisms and channels for technology acquisition and utilization; information and sources of technology; and options for regional and international co-operation.

CONFERENCE CALLS FOR IMPROVED CONTROL OF RBPs

On 7 December 1990 the 75 countries participating in the second United Nations Conference to review the Set of Rules and Principles for the Control of Restrictive Business Practices (RBPs) adopted a resolution which calls on all States "to adopt, improve and effectively enforce" appropriate national legislation on RBPs, and identifies information and technical assistance as two ways of helping countries which have not yet adopted RBP legislation, or are in the process of doing so, i.e., most developing countries, China and countries in Eastern Europe. It suggests that countries which already have such legislation may seek information or consultations with other countries in order to enforce it more effectively. Accordingly, the Secretary-General of UNCTAD has been requested to issue a directory of RBP authorities through whom requests for information could be channelled and to help countries with their requests for consultations. The Conference also took note of the commitment of developed market-economy countries to continue to provide technical assistance and called upon all countries as well as intergovernmental organizations and financing programmes to provide the necessary expertise and resources for technical assistance activities.

TUNGSTEN COMMITTEE HOLDS ANNUAL MEETING

Twenty-five countries representing over 90 per cent of the world tungsten trade participated in the annual meeting of the UNCTAD Committee on Tungsten, held on 10-14 December 1990. The Committee met against the background of a further weakening of the tungsten market, attributed by the UNCTAD secretariat to demand slow-downs in the major consumer countries, oversupply and a large stock overhang. The Committee decided to seek designation as an International Commodity Body for the purposes of project financing by the Second Account of the Common Fund for Commodities. In a move to encourage greater participation by the tungsten industry, the Committee also added a new item to its agenda which will permit the industry to give its view on such aspects as new end-uses, technological development, substitution, recycling, environmental considerations and research and development activities.

WORKSHOP ON ECONOMIC REFORMS IN THE USSR

About 100 trade representatives and economic counsellors of developing countries accredited in Moscow met with Soviet experts during a Workshop on 11-12 December 1990 to discuss the process of economic reforms in the USSR and their implications for trade relations with developing countries. The Workshop was organized by UNCTAD in co-operation with the USSR Chamber of Commerce and Industry and the Ministry for External Economic Relations, as well as the International Trade Centre (ITC). The subjects discussed included the economic, banking and investment reforms; joint ventures; and prospects for the development of the USSR's trade relations with developing countries. The participants also established direct contact with Soviet companies and trade institutions.

SABBATICAL LEAVE FOR TWO UNCTAD STAFF MEMBERS

Two UNCTAD economists are among seven United Nations staff members currently spending a year at university under the United Nations Sabbatical Leave Programme. They are Mr. Brian Chambers who is at Princeton University working on a study about the use of input-output techniques for planning, implementing and evaluating resource development policies in developing countries; and Mr. Carl Rakotondrainibe who is at Tufts University studying perspectives for African regional co-operation with post-Apartheid South Africa.

Under this programme, sponsored jointly by the United Nations Secretariat and the Academic Council of the United Nations, a number of eligible staff members are selected for study or research programmes in universities while a number of scholars from universities are assigned to United Nations Offices. The purpose of the assignments, usually for a full academic year, is to provide advanced training and intellectual development for staff members; to give academic scholars an opportunity to work in a United Nations programme related to their areas of research; and to build close and enduring contacts between the two parties to the exchange.

FORTHCOMING MEETINGS

- ***March***

  11-22
  Trade and Development Board (Geneva, thirty-seventh session, second part)

  25-28
  Working Party on the Medium-term Plan and the Programme Budget (Geneva, twentieth session)

- ***April***

  8-12
  Joint Advisory Group on the International Trade Centre UNCTAD/GATT (Geneva, twenty-fourth session)

  22-30
  Committee on Transfer of Technology (Geneva, eighth session)

PUBLICATIONS

- UNCTAD's contribution to the implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990: Progress report by the Secretary-General of UNCTAD (TD/B/1279)
- Protectionism and structural adjustment: Problems of protectionism and structural adjustment (TD/B/1282)
- Protectionism and structural adjustment: Costs and consequences of non-tariff measures which adversely affect exports of developing countries (TD/B/1284)
- Implementation of the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries (Economic and Social Council resolution 1990/54) (TD/B/1287)
- Report of the Working Party on Diversification, Processing, Marketing and Distribution, including Transportation on its third session (TD/B/C.1/314–TD/B/C.1/AC/13)
- Review of the work programme of the Committee [on Transfer of Technology], implementation of decisions relating thereto and proposals for further work (TD/B/C.6/155 and Add.1)
- Further consultations on a draft international code of conduct on the transfer of technology (TD/CODE TOT/56)
- The role of international collaboration arrangements in developing countries' exports of manufactures (UNCTAD/ITP/32)
- Implications for trade, especially with the developing countries, of structural reforms in the Soviet economy (UNCTAD/ITP/45)
- Agricultural trade liberalization in the Uruguay Round: Implications for developing countries (UNCTAD/ITP/48)
- Structural changes in the iron and steel industry during the 1980s with particular reference to developing countries (UNCTAD/ITP/52)
- Structural adjustment, the evolving international trading system and economic integration among developing countries: issues for the 1990s (TD/B/C.7/AC.3/9)
- Economic integration among developing countries: trade co-operation, monetary and financial co-operation and review of recent developments in major economic co-operation and integration groupings of developing countries (TD/B/C.7/AC.3/10)

Sales Publications

- Handbook of State Trading Organizations of Developing Countries, Vol. I and II (Sales No. A/E/F/S.89.II.D.19, price US$95.00)

UNCTAD documents are available for reference at all United Nations Information Centres and at depository libraries for United Nations publications. The yearly subscription for all mimeographed UNCTAD documents is US$250 including postage. Requests for such subscriptions as well as orders for individual sales publications should be addressed to United Nations Sales Section, Palais des Nations, 1211 Geneva 10, Switzerland.

INVITATION TO READERS

The UNCTAD *Bulletin* presents to an informed public the results of the secretariat's research and analysis, its on-going activities, and developments on the intergovernmental scene. Conscious that the *Bulletin* conveys an insider's view, we would like to provide space in it for substantive comments from readers on the contents of the *Bulletin* and the issues raised therein. This interaction would contribute to the dialogue which the UNCTAD secretariat seeks to maintain with a range of development actors and interests. Readers are therefore invited to submit brief letters for publication in a "readers' column" which will start once sufficient material is received. As is customary, we reserve the right to select and edit the material for publication. Letters should be addressed to the Editor and contain the writer's signature, name and full address.

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